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By: **Delegates Phillips and Zirkin**

Introduced and read first time: February 9, 2001

Assigned to: Ways and Means

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A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax Credit - Monetary Contributions for Extracurricular Activities**

3 FOR the purpose of allowing a certain credit against the State income tax for certain  
4 contributions made by individuals or corporations to State public schools for  
5 extracurricular activities or for equipment needed for extracurricular activities,  
6 subject to a certain limitation; defining certain terms; providing for the  
7 carryover of unused credit if the credit exceeds the total tax payable for a  
8 taxable year; providing for a certain reduction of itemized deductions if certain  
9 credits are claimed under certain circumstances; providing for the application of  
10 this Act; and generally relating to a tax credit for monetary contributions to  
11 public schools for extracurricular activities or for equipment needed for  
12 extracurricular activities.

13 BY repealing and reenacting, with amendments,  
14 Article - Tax - General  
15 Section 10-218  
16 Annotated Code of Maryland  
17 (1997 Replacement Volume and 2000 Supplement)

18 BY adding to  
19 Article - Tax - General  
20 Section 10-722  
21 Annotated Code of Maryland  
22 (1997 Replacement Volume and 2000 Supplement)

23 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
24 MARYLAND, That the Laws of Maryland read as follows:

1 **Article - Tax - General**

2 10-218.

3 (a) Only an individual who itemizes deductions on the individual's federal  
4 income tax return may elect to itemize deductions on the individual's income tax  
5 return.

6 (b) An individual who elects to itemize deductions is allowed as a deduction  
7 the sum of the individual's federal itemized deductions:

8 (1) limited and reduced as required under the Internal Revenue Code;  
9 [and]

10 (2) FURTHER REDUCED BY ANY AMOUNT DEDUCTED UNDER § 170 OF  
11 THE INTERNAL REVENUE CODE FOR CONTRIBUTIONS TO A STATE SCHOOL FOR  
12 WHICH A CREDIT IS CLAIMED UNDER § 10-722 OF THIS TITLE; AND

13 [(2)] (3) further reduced by the amount claimed as taxes on income paid  
14 to a state or political subdivision of a state, after subtracting a pro rata portion of the  
15 reduction to itemized deductions required under § 68 of the Internal Revenue Code.

16 10-722.

17 (A) (1) IN THIS SECTION, THE FOLLOWING WORDS HAVE THE MEANINGS  
18 INDICATED.

19 (2) (I) "EXTRACURRICULAR ACTIVITIES" MEANS OPTIONAL SCHOOL  
20 SPONSORED ACTIVITIES AT STATE ELEMENTARY OR SECONDARY SCHOOLS THAT  
21 REQUIRE STUDENTS TO PAY A FEE IN ORDER TO PARTICIPATE.

22 (II) "EXTRACURRICULAR ACTIVITIES" INCLUDES:

- 23 1. FIELD TRIPS;  
24 2. AFTER SCHOOL PROGRAMS;  
25 3. SUMMER PROGRAMS; AND  
26 4. ATHLETICS.

27 (3) "EQUIPMENT NEEDED FOR EXTRACURRICULAR ACTIVITIES"  
28 INCLUDES:

- 29 (I) SCIENTIFIC LABORATORY MATERIALS;  
30 (II) BAND UNIFORMS AND INSTRUMENTS; AND  
31 (III) ATHLETIC EQUIPMENT AND UNIFORMS.

1 (B) SUBJECT TO THE LIMITATION UNDER SUBSECTION (C) OF THIS SECTION,  
2 AN INDIVIDUAL OR A CORPORATION MAY CLAIM A CREDIT AGAINST THE STATE  
3 INCOME TAX IN AN AMOUNT EQUAL TO 100% OF THE AMOUNT OF VOLUNTARY  
4 MONETARY CONTRIBUTIONS MADE BY THE TAXPAYER DURING THE TAXABLE YEAR  
5 TO A STATE PUBLIC SCHOOL FOR:

6 (1) EXTRACURRICULAR ACTIVITIES; OR

7 (2) EQUIPMENT NEEDED FOR EXTRACURRICULAR ACTIVITIES.

8 (C) (1) FOR ANY TAXABLE YEAR, THE CREDIT ALLOWED UNDER THIS  
9 SECTION MAY NOT EXCEED \$500 PER INCOME TAX RETURN.

10 (2) THE LIMIT UNDER PARAGRAPH (1) OF THIS SUBSECTION IS \$250  
11 EACH FOR A HUSBAND AND WIFE WHO FILE SEPARATE RETURNS FOR A TAXABLE  
12 YEAR.

13 (D) IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY TAXABLE YEAR  
14 EXCEEDS THE STATE INCOME TAX FOR THAT TAXABLE YEAR, A TAXPAYER MAY  
15 APPLY THE EXCESS AS A CREDIT AGAINST THE STATE INCOME TAX FOR SUCCEEDING  
16 TAXABLE YEARS UNTIL THE EARLIER OF:

17 (1) THE FULL AMOUNT OF THE EXCESS IS USED; OR

18 (2) THE EXPIRATION OF THE 5TH TAXABLE YEAR AFTER THE TAXABLE  
19 YEAR IN WHICH THE TAXPAYER MADE THE DONATION.

20 (E) THE CREDIT UNDER THIS SECTION IS NOT ALLOWED IF THE TAXPAYER  
21 DESIGNATES THE TAXPAYER'S CONTRIBUTION TO THE STATE SCHOOL FOR THE  
22 DIRECT BENEFIT OF ANY DEPENDENT OF THE TAXPAYER.

23 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
24 July 1, 2001, and shall be applicable to all taxable years beginning after December 31,  
25 2000.